

**MINUTES**  
**REGULAR MEETING OF THE BOARD OF LAND COMMISSIONERS**  
**Monday, June 18, 2011 at 9:00 a.m.**  
**State Capitol Building**  
**Helena, MT**

**PRESENT:** *Governor Brian Schweitzer, Attorney General Steve Bullock, Auditor Monica Lindeen, Secretary of State Linda McCulloch*

**ABSENT:** *Superintendent of Public Instruction Denise Juneau*

**BUSINESS CONSIDERED**

**Ms. McCulloch moved for approval of the minutes from the May 16, 2011, meeting of the Board of Land Commissioners. Seconded by Ms. Lindeen. Carried unanimously.**

**611-1      OIL AND GAS LEASE SALE (JUNE 7, 2011)**

Ms. Sexton, DNRC Director, stated that 324 tracts were offered for lease at the quarterly oil and gas lease sale. The total revenue for the sale was \$6.5 million. The average bid per acre was \$54 and the highest total bid was \$1.8 million dollars for tract 252 in Roosevelt County. There appears to be interest in the Bakken formation through Roosevelt, Toole, Daniels and Pondera counties.

**Motion made by Mr. Bullock to approve the lease sale. Seconded by Ms. McCulloch. Carried unanimously.**

Governor Schweitzer said that from an historic perspective, there seems to be more interest in drilling activity in Montana than ever before. It is very encouraging to see interest beyond Richland, Fallon, Sheridan and Daniels counties: interest is spreading to Fergus, Judith Basin, Teton, and Chouteau counties—places where there has been no oil and gas activity in decades. The importance of leasing in areas like Fergus and Judith Basin where there has been no activity in years is the "wildcat" activity. If it is successful, it will spawn a new area of oil development. Governor Schweitzer said that Montana should be prepared because the successes in Fallon, Richland, Sheridan and Daniels Counties are now spreading across the state. Due to hydraulic fracturing ("fracking") of existing shales, discovery of new shales, and the assumption that the Bakken formation exists in other parts of Montana, Governor Schweitzer predicted that there will be more leases and more revenue in the future.

Ms. McCulloch said this sale very good for the economy as since it is the fifth largest oil and gas lease sale in the state's history. The sale revenue speaks well for the present—and hopefully the future—economy.

**611-2      TIMBER SALES:**

*Items 611-2A and 611-2B were taken as a block. Ms. Sexton gave an overview of each.*

**A. COAL RIDGE**

The Coal Ridge sale is located in the DNRC Stillwater Unit in the Coal Creek State Forest. Much of the area has been burned, and the sale is basically a salvage treatment of 133 acres (1.4 MMBF). Some old growth that will receive harvest treatment.

**B. IRON GULCH (LIMITED ACCESS)**

The Iron Gulch sale is a limited access sale of 50 acres (250 MBF) located in Fergus County.

**C. POWER ROCK**

The Power Rock sale is a 46-acre sale (239 MBF) out of the DNRC Plains Unit which will be attractive for smaller contractors in the area.

Julia Altemus, Montana Wood Products Association (MWPA), gave MWPA's support for these three timber sales. All DNRC timber sales, both small and large, offer employment and product. MWPA appreciates the work the DNRC Forest Management Bureau does on behalf of the state.

**Motion made by Ms. McCulloch to approve items 611-2A and 611-2C. Seconded by Mr. Bullock. Carried unanimously.**

Governor Schweitzer noted it is not just the oil and gas that brings in revenue, but also timber, minerals, coal, wheat, and grazing. The current Land Board has generated more income for the school trust than any board in the history of Montana. Even though timber prices are down, timber sales have been up. The board has been very aggressive in converting wheat and barley crop share grazing leases to cash leases, which has been good for revenue for the state. The board has also been particularly aggressive in oil, gas, coal, and metal leasing.

Governor Schweitzer thanked the Land Board for their leadership.

**611-3      PRELIMINARY APPROVAL FOR LAND BANKING PARCEL**

Ms. Sexton stated that parcel 631 is located in Deer Lodge County and is a part of the EPA Superfund CERLIS site. The lessee of this parcel has contributed to remediation of the heavy metals by deep tilling, lime amendments, adding organic top-dressing and seeding to improve soil properties and range productivity. There is public access to the parcel, however, the nominator Don Ueland has granted public access to the adjacent Dutchman Wetland.

**Motion made by Ms. Lindeen for preliminary approval. Seconded by Ms. McCulloch. Carried unanimously.**

**611-4      FINAL APPROVAL FOR SUBSTITUTION OF PURCHASE FUNDS FOR CHAMBERLAIN LAND BANKING ACQUISITION**

Ms. Sexton stated this is for a substitution of purchase funds for the Chamberlain acquisition ([see June 21, 2010, Land Board minutes](#)). The property includes 14,500 acres of timber land south of the Blackfoot River. At the time of purchase, several different land banking trust accounts were used to purchase the property. For ease of administration, DNRC would prefer the property be owned completely by the Common Schools trust.

**Motion made by Ms. McCulloch to approve the substitution of purchase funds. Seconded by Ms. Lindeen. Carried unanimously.**

611-5     **FINAL APPROVAL FOR LAND EXCHANGES:**  
**A. DNRC NWLO/CSKT PHASE II**

Ms. Sexton stated this is the second phase of a land exchange with the Confederated Salish and Kootenai Tribes (CSKT) (see [April 19, 2010, Land Board minutes](#)). The property is located north of the reservation near land DNRC acquired in the first land exchange. CSKT is active in acquiring their internal holdings on state lands. This property they are gaining is of particular interest to CSKT because of its location within their tribal primitive area. There is a contingency that access be legalized for property in which DNRC is acquiring. That is beneficial to the trust, since DNRC is trading out of parcels that are within the tribal primitive area, lands to which there was no previous access (zero return on investment). With this acquisition of grazing lands, DNRC will receive approximately \$2100 per year.

Ms. Sexton stated that this has been a very positive exchange with the tribe.

**Motion made by Ms. Lindeen for final approval of the exchange. Seconded by Mr. Bullock. Carried unanimously.**

**B. PRAIRIE ELK CREEK LAND EXCHANGE**

Ms. Sexton stated that this exchange is with Prairie Elk Creek Colony in the eastern part of the state. Ninety acres are being exchanged for 135 acres. Currently, DNRC receives \$80 annually. The land DNRC acquires on the exchanges will earn approximately \$1000 annually.

**Motion made by Ms. McCulloch final approval of the exchange. Seconded by Ms. Lindeen. Carried unanimously.**

611-6     **EASEMENTS:**  
**A. RIGHTS-OF-WAY**

Ms. Sexton stated that most of the applications received are from utilities for some new installations, historic utility easements, and three private access applications. Many applications lately are on navigable rivers since historic rights-of-way are required.

**Motion made by Mr. Bullock to approve the easements. Seconded by Ms. Lindeen. Carried unanimously.**

**B. USFS FLATHEAD NATIONAL FOREST COST SHARE: POLEBRIDGE**  
**SUPPLEMENT NO. 34**

Ms. Sexton stated that this is a cost share with the Flathead National Forest near Polebridge. DNRC is sharing costs for roads in this area, as part of a larger statewide cost sharing agreement with the USFS. Acres for the state are substantial (318 acres for DNRC and 39 acres for the Forest Service). This type of project in conjunction with other recent activities coordinated by DNRC right-of-way specialist Norm Kuennen has led to savings for DNRC in excess of \$200,000. Ms. Sexton thanked Mr. Kuennen for his efforts.

**Motion made by Ms. McCulloch to approve the easements. Seconded by Mr. Bullock. Carried unanimously.**

Ms. McCulloch also thanked Mr. Kuennen for his hard work in this transaction.

**Motion to adjourn made by Mr. Bullock. Seconded by Governor Schweitzer. Carried unanimously.**